

State Board of Equalization

OPERATIONS MEMO

For Public Release

No. : 1096

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SUBJECT: Cross Referencing Taxpayer Registration in Board Programs.

I. PURPOSE

The purpose of this operations memo is to put processes in place that help identify current sales and use tax permit holders that may need to be registered for Underground Storage Tank Maintenance Fees, Cigarette and Tobacco Product Taxes, Tire Recycling Fees, and Environmental Fees. By identifying unregistered taxpayers, the Board can inform them of their registration and reporting requirements.

To assist in identifying taxpayers with obligations in multiple tax or fee programs the Board has revised forms BOE-414-A, BOE-414-B, BOE-414-C and BOE-596 to add the following four new questions.

- Underground Storage Tank?
- Seller of Tobacco Products?
- Seller of Tires?
- Corporation with 50 or more employees?

II. SUTD STAFF AUDIT PROCEDURE

When performing audits, auditors will be required to respond "Yes" or "No" to the new questions on forms BOE-414-A, BOE-414-B, BOE-414-C or BOE-596 regarding the taxpayer.

A. UNDERGROUND STORAGE TANK (UST)

Owners of underground storage tanks must pay a fee based on the number of gallons of petroleum products placed into the tank. In many instances where the tank owner is not the operator of the tank, the Fuel Taxes Division (FTD) discovered the owner was not registered to pay the fee and owes a substantial amount of delinquent fees. The Board is taking steps to eliminate these occurrences by promoting awareness of the registration requirements. To assist in this effort, audit staff should ask the sales tax account holder if there is an underground storage tank on property they own, lease or operate their business on and if they hold a UST account with the Board.

On all audits and field waivers (forms BOE-414-A, BOE-414-B, BOE-414-C and BOE-596), auditors will be required to answer the "*Underground Storage Tank?*" question.

A "No" response indicates the taxpayer does not have USTs on property owned, leased or operated by the taxpayer being audited. A "No" response requires no further action.

A "Yes" response indicates an UST is present on property owned, leased or operated by the taxpayer being audited. A "Yes" response requires the auditor to take the action described below.

BOE-414-A and BOE-414-B

If a tank is present on property owned, leased or operated by the taxpayer, the auditor should obtain as much information as available from the taxpayer. A "Yes" response requires the "UST" general comment field be completed.

The "UST" general comment should include the following if available:

- **Underground Storage Tank Maintenance Fee account number(s) of tank owner.
- **Addresses where tanks are located.
- Tank owner's name, address and phone number.
- Any other information that would help to identify or locate the owners of the underground storage tanks.

**Note: Provide no more than five (5) account numbers and addresses and only for principal locations.

If the taxpayer does not provide this information, the auditor should comment that the information was requested and the taxpayer did not provide it. The information gathered on the BOE-414-A and BOE-414-B is forwarded to the FTD based on an IRIS report.

BOE-414-C

If the audit is a "no change" audit, the UST question should be answered on form BOE-414-C in Section F, "OTHER."

A "Yes" response indicates an UST is present on property owned, leased or operated by the taxpayer. The auditor should have the taxpayer provide the information as outlined above for the forms BOE-414-A and BOE-414-B. The auditor should include this information in the general comment section of form BOE-414-C. For "Yes" responses on form BOE-414-C, field staff should copy the form and forward it to the Principal Compliance Supervisor in the Fuel Industry Section of the Fuel Taxes Division at MIC: 30.

BOE-596

If the audit is field waived, the UST question should be answered on form BOE-596, number 8a. For "Yes" responses, the BOE-596, field staff should copy the form and forward it to the Principal Compliance Supervisor in the Fuel Industry Section of the Fuel Taxes Division at MIC: 30.

For more information about the fee and its requirements, see Publication 88, *Underground Storage Tank Fee*. Portions of this publication will be incorporated into Publication 25, *Tax Tips for Auto Repair Garages and Service Stations*. You may also review Underground Storage Tank Regulation 1205, *Fee Payer, Rebuttable Presumption*. Both publications and the regulation are available on the Board website.

B. CIGARETTE AND TOBACCO PRODUCTS TAXES

Cigarette and tobacco product taxes were established to fund multiple programs, including the Breast Cancer Fund, school and community health education, fire prevention and childhood development programs. All cigarette and tobacco product importers, distributors and wholesalers in California are required to register with the Board. Tobacco products include cigars, smoking tobacco, snuff and any other article or product containing at least 50 percent tobacco.

The "*Seller of Tobacco Products?*" question is specifically targeted toward taxpayers who may be importing, distributing or wholesaling cigarettes and tobacco products only.

For all change audits, field billing orders, "no change" audits and field waived audits, auditors should answer the question "*Seller of Tobacco Products?*" on form BOE-414-A, BOE-414-B, BOE-414-C or BOE-596.

A "No" response indicates the taxpayer does not import cigarettes into or tobacco products into California, nor do they sell cigarettes or tobacco products wholesale in California.

A "Yes" response indicates the taxpayer imports cigarettes or tobacco products into California, or they sell cigarettes or tobacco products wholesale in California. "Yes" responses on form BOE-414-A or BOE-414-B are forwarded to Excise Tax in an IRIS report. For "Yes" responses on the BOE-414-C or BOE-596, field staff should copy the form and forward it to the Principal Compliance Supervisor in the Excise Taxes Division at MIC: 56.

No general comments are required for either a "Yes" or "No" response on the BOE-414-A, BOE-414-B, BOE-414-C or BOE-596.

For more information about the fee and its requirements, see Publication 15, *California Cigarette and Tobacco Products Tax* or Publication 93, *Cigarette and Tobacco Products Taxes*. These publications are available on the Board website or through the Supply Section.

C. TIRE RECYCLING FEE

Sellers of "new tires" must pay a fee for each tire sold. Persons who sell "new tires" must register with the Board. A "new tire" could be sold individually or with a new or used motor vehicle. A "new tire" does not include retreaded, reused, or recycled tires.

For all change audits, field billing orders, "no change" audits or field waived audits, auditors should answer the question, "*Seller of Tires?*" on forms BOE-414-A, BOE-414-B, BOE-414-C or BOE-596.

A "No" response indicates the taxpayer does not sell "new tires."

A "Yes" response indicates the taxpayer sells "new tires." "Yes" responses on form BOE-414-A or BOE-414-B are forwarded to Excise Tax in an IRIS report. For "Yes" responses on the BOE-414-C or BOE-596, field staff should copy the form and forward it to the Principal Compliance Supervisor in the Excise Taxes Division at MIC: 56.

No general comments are required for either a "Yes" or "No" response on form BOE-414-A, BOE-414-B, BOE-414-C or BOE-596.

For further information about the fee and its requirements, you may read Publication 91, *Tire Recycling Fee*. Copies are available through the Board website or from the Supply Section.

D. ENVIROMENTAL FEE

The Environmental Fee is a fee on corporations in industry groups that use, generate or store hazardous materials or that conduct activities related to those materials. It applies to all corporations with 50 or more employees who are employed more than 500 hours (per employee) in California during a calendar year.

For all change audits, field billing orders, "no change" audits or field waived audits, auditors should answer the question, "*Corporation with 50 or more employees?*" on forms BOE-414-A, BOE-414-B, BOE-414-C or BOE-596.

A "No" response indicates the taxpayer is not a corporation or is a corporation but does not have 50 or more employees who are employed more than 500 hours (per employee) in California during a calendar year.

A "Yes" response indicates the taxpayer is a corporation and has 50 or more employees who are employed more than 500 hours (per employee) in California during a calendar year. "Yes" responses on the BOE-414-A or BOE-414-B are forwarded to Environmental Fees in an IRIS report. For "Yes" responses on the BOE-414-C or BOE-596, field staff should copy the form and forward it to Principal Compliance Supervisor in the Environmental Fees Division at MIC: 57.

No general comments are required for either a "Yes" or "No" response on form BOE-414-A, BOE-414-B, BOE-414-C or BOE-596.

For more information about the fee and its requirements, see Publication 90, *Environmental Fee*. Copies are available on the Board website or from the Supply Section.

III. TECHNOLOGY SERVICES DIVISION (TSD) STAFF AUDIT PROCEDURE

TSD will prepare and route four special IRIS reports based on "Yes" responses to the questions on the BOE-414-A and BOE-414-B.

A. REPORT TO FUEL TAXES DIVISION

At the end of each month, TSD will route a report to the Principal Compliance Supervisor in the Fuel Industry Section of the Fuel Taxes Division at MIC: 30. This report will be based on "Yes" responses on forms BOE 414-A and BOE 414-B to the "*Underground Storage Tank?*" question and will contain the following information:

- Sales and Use Tax Permit Number
- Mailing Address
- Text of "UST" General Comment
- Permit Name
- Phone Number

B. REPORTS TO EXCISE TAXES DIVISION

At the end of each quarter, TSD will route two reports to the Principal Compliance Supervisor in the Excise Taxes Division at MIC: 56. One of the reports will be based on "Yes" responses on forms BOE-414-A and BOE-414-B for the "*Seller of Tobacco Products?*" question, and the other report will be based on "Yes" responses on forms BOE-414A and BOE-414-B to the "*Seller of Tires?*" question. The reports will contain the following information:

- Sales and Use Tax Permit Number
- Mailing Address
- Phone Number
- Text from Class of Business (COB)
- General Comments
- Permit Name
- Business Address
- Taxpayer TIN number

C. REPORTS TO ENVIRONMENTAL FEES DIVISION

At the end of each quarter, TSD will route a report to the Principal Compliance Supervisor in the Environmental Fees Division at MIC: 57. This report will be based on "Yes" responses on forms BOE-414-A and BOE-414-B to the "*Corporation with 50 or more employees?*" question. The report will contain the following information:

- Sales and Use Tax Permit Number
- Mailing Address
- Phone Number
- Permit Name
- Business Address
- Taxpayer TIN number

IV. FUEL TAXES DIVISION (FTD) STAFF COMPLIANCE PROCEDURE

FTD staff will review all accounts referred via the monthly TSD report or from copies of form BOE-414-C and BOE-596. Reports with UST account numbers will be checked against the Special Taxes Automated Revenue System (STARS) to verify the location(s) are registered to the owner of the USTs. The UST account registration will then be checked against the real property ownership. Any discrepancy between the owner of the UST account registered in STARS and the real property owner must be resolved. Reports without an UST account number will receive the highest priority as assignments. An address search will be completed in an attempt to locate an account along with a name search of the real property owner of record. Assignments will be handled according to existing division procedures.

V. EXCISE TAXES DIVISION STAFF PROCEDURE

Excise Taxes Division staff will review all accounts referred via the quarterly TSD report or from copies of forms BOE-414-C and BOE-596. Staff will review the general comments and research the entity to determine if an Excise Taxes account has already been issued or if a new account will need to be established. If an Excise Taxes account already exists, information from SUTD can be utilized to update and cross-reference the related account. If no Excise Taxes account is found, staff will research to determine if a new account should be established and take appropriate steps as necessary to register the taxpayer.

VI. ENVIRONMENTAL FEES DIVISION (EFD) COMPLIANCE STAFF PROCEDURE

EFD staff will review all accounts referred by SUTD via the quarterly TSD report or from copies of forms BOE-414-C and BOE-596. Registration staff will alpha search each entity in the Client Taxpayer System (CTS) to determine if an Environmental Fee account already exists or if a new account should be established. Staff will check the Secretary of State records for the correct name and corporate status on all referrals.

If the corporate entity has an active Environmental Fee account, information received from SUTD can be utilized to update Taxable Activity Reg. – Special Taxes (SPR) and cross-reference the related accounts and TINs.

If the corporate entity has a closed Environmental Fee account, staff must review the comments on SPR to determine the reason the account was closed and, based on the comments on file, decide on the next course of action (i.e., account may be exempt from the fee, suspended corporation, etc.). If a new account number is issued, staff will cross-reference the closed account.

To determine the start date for the new account, review returns filed under the closed account, check for outstanding accounts receivable balances and review Employment Development Department (EDD) records. By reviewing EDD records, it will help to ascertain the amount of unpaid fees that may be past due since the closeout date of the previous Environmental Fee (EF) account. Send the feepayer returns for all delinquent periods. If the account will be delinquent for more than two reporting periods based on the start date indicated, assign the case to the compliance team.

If no Environmental Fee account is located, registration staff will check EDD records to verify the entity has the requisite number of employees to qualify for the program and issue an account for the corporate entity, following the same guidelines as above.

VII. CENTRALIZED REVIEW SECTION STAFF AUDIT PROCEDURE

The Centralized Review Section will verify that the audit staff has completed the appropriate questions and comments on forms BOE-414-A, BOE-414-B or BOE-414-C as outlined above for the SUTD Staff.

VIII. OBSOLESCENCE

This operation memo will become obsolete when the information contained herein is incorporated into the appropriate manual(s).

Allan K. Stuckey
Deputy Director,
Special Taxes Department

Ramon J. Hirsig
Deputy Director,
Sales and Use Tax Department

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